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Report Highlights:

Nigeria's wheat imports fell this year on record high prices, but are expected to rebound in 2008/09. Nigeria is currently experiencing shortages of corn due to poor rainfall distribution and inadequate input supply. Corn prices have risen to historical high levels, but despite this the GON continues to ban imports. These high prices, however, are expected to spur increased corn area and production in 2008/09. Although domestic rice production is increasing, imports remain dominant, the bulk of which enter Nigeria through unofficial channels due to GON's high protective import duty.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

After trending upward for a number of years, Nigeria's wheat imports in MY 2007/2008 have fallen as a result of record U.S. wheat export prices, coupled with surging freight rates to Nigeria. Bread prices have steadily risen this past year, and consumer demand for these products has subsequently weakened. Despite lower overall import volumes, U.S. market share remains dominant at about 85 percent as supplies in other exporters have been very tight. Imports are forecast to recover in MY 2008/09, as international prices are expected to ease and there will likely be greater options of suppliers for wheat purchases.

Currently, Nigeria is experiencing grain shortages, especially corn. Grain prices have risen to record levels this year due to the combined impacts of lower planted area, an early cessation of rainfall, and low fertilizer use during the last cropping season. Corn is currently being sold at 60,000 naira (\$513) per ton, triple the 20,000 naira per ton this time last year. Market sources indicate that prices will continue to rise because stocks are diminished and new supplies will not be available until the next harvest, which begins in August 2008. Meanwhile, despite these high prices and urgent need for feed grain supplies, corn imports remain banned. Poultry producers also are hard hit by the sharp increase in prices as corn is the preferred energy source and accounts for the majority of compound feed.

Nigeria's aggregate grain production in MY 2008/09 is forecast to increase five percent, primarily due to increased corn production. The forecast is based on a number of factors including: expanded planted area as a result of currently very attractive grain prices, the GON's implementation of zero tariffs on imported agrochemicals, and timely arrival of early-season rains in the grain belt.

Scarcity and high prices of fertilizers continues to limit utilization. At present, the average retail price of a 50-kilogram bag of NPK is 3,500 Naira, up from 3,400 Naira last season. However, the outlook for fertilizer production and supply in the country is promising with the privatization of the National Fertilizer Company. The new owners, Notore Chemical Industries Ltd., have rehabilitated the facility and are scheduled to resume production in the third quarter of 2008. The company plans to produce three million tons of fertilizer by 2009.

Domestic rice production continues to trend upward due largely to incentives available to farmers under the Presidential Initiative on Rice. The initiative is part of GON's efforts aimed at achieving self-sufficiency in rice production. Despite the high duty of 109 percent, however, large scale rice imports continue as local output remains inadequate. As a result of the high duty, the majority of imports are smuggled in from neighboring countries such as Benin.

Overall, in 2007/08 Nigeria is experiencing high food prices. Barely five months after the harvest of major crops, Nigeria is already experiencing acute shortages of grains. The major grain markets are reporting unusually low stocks and continually rising prices. Access to food is worsened by the parallel increase of prices of all major foods including bread, meat (especially poultry), eggs, rice, cassava and yam and the government's import ban and high tariffs on agricultural commodities. Low-income households across the country are reportedly resorting to a number of survival mechanisms, such as selling fixed assets, in order to afford to buy food. Nigeria's food security situation could deteriorate further before the 2008 harvest begins in September, especially if the government's import policies remain unchanged. The Government of Nigeria (GON) is currently contemplating reducing import duties and finding ways to address long-standing commodity import bans in the face of these challenges. There are signs the GON will implement new import policy before the end of the year, which will likely result in reduced import duties on some commodities.

WHEAT

PSD Table: Wheat

Nigeria Wheat

(1000 HA)(1000 MT)(MT/HA)

	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	95	80	95	95	60	95	0	0	95
Beginning Stocks	200	200	200	200	200	200	100	200	100
Production	100	70	100	100	50	100	0	0	100
MY Imports	3316	3300	3316	3000	3600	2900	0	0	3300
TY Imports	3316	3300	3316	3000	3600	2900	0	0	3300
TY Imp. from U.S.	2533	2500	2533	0	3000	2400	0	0	2500
Total Supply	3616	3570	3616	3300	3850	3200	100	200	3500
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	50	100	50	50	100	50	0	0	40
FSI Consumption	3366	3270	3366	3150	3550	3050	0	0	3360
Total Consumption	3416	3370	3416	3200	3650	3100	0	0	3400
Ending Stocks	200	200	200	100	200	100	0	0	100
Total Distribution	3616	3570	3616	3300	3850	3200	0	200	3500
Yield	1.053	0.875	1.053	1.053	0.833	1.053	0	0	1.053

Production

Nigeria's wheat production in 2008/09 is forecast to remain steady at 100,000 tons, unchanged from 2007/08. Local climatic conditions in Nigeria are not suitable for wheat production and will limit any expansion in area. The wheat that is produced is grown under irrigation in a few states in northern Nigeria.

Consumption

Nigeria's wheat consumption is forecast to rebound in 2008/09, as flour and bread prices are expected to retreat from their record highs. This consumption increase, however, could be limited by lower expected prices of other staples (such as corn) after the next harvest. In 2007/08, consumers reduced purchases of bread as bakers not only increased loaf prices, but also reduced the size of standard loafs.

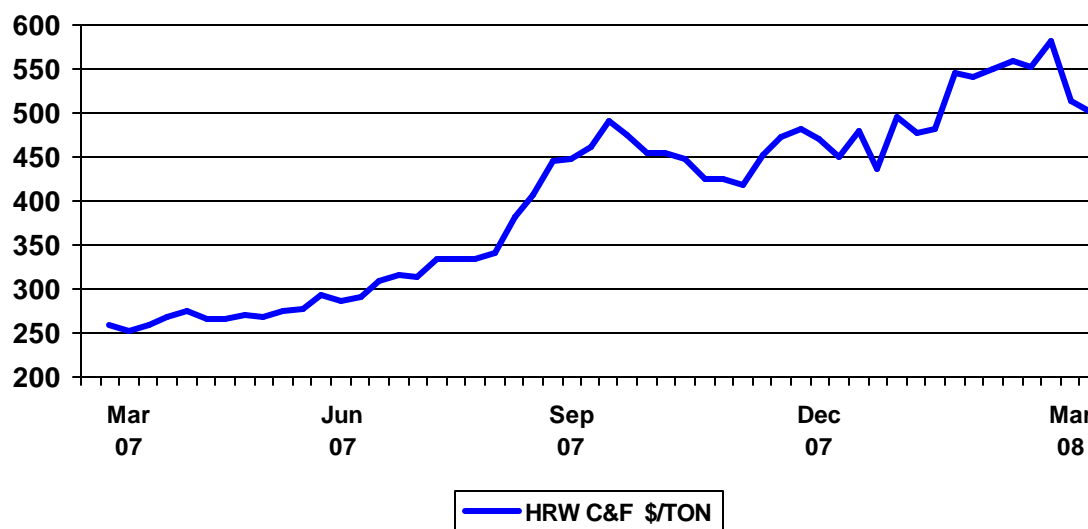
See Report NI7025 - <http://www.fas.usda.gov/gainfiles/200709/146292506.doc>

Nigeria's overall milling capacity is currently estimated at about 6.15 million tons, reflecting only 48 percent capacity utilization in 2007/08. Many mills that could not cope with the spiraling wheat prices, intense competition, and slack demand for flour were forced to cut back production or even close down temporarily. Despite excess milling capacity, existing facilities are being upgraded and new capacities are being added as most investors still see bright long-term prospects for the milling industry. While most of the expansion is for the production of bread flour, there is also rapid expansion in domestic production of pasta and crackers and biscuits. The GON placed an import ban on these products in 2004, and this

has encouraged rapid expansion of local production. Noodle consumption in Nigeria is also showing steady growth, estimated at 6 percent annually, and is thought to be the equivalent of 130,000 MT of Hard Red Winter (HRW) wheat. At present, there are five producers of instant noodles in Nigeria, up from only one in 2006.

Prices

Landed U.S. HRW Wheat Prices in Nigeria Soar to Record Levels



Trade

Nigeria remains a growth market for wheat exports as its huge population continues to expand and per capita consumption of wheat expands from a low base. Nigeria's overall wheat import volume in MY2008/09 is forecast at 3.3 million tons, up from the revised estimate of 2.9 million tons in 2007/08. The higher volume projected for 2008/09 is based on the assumption that global wheat prices will fall from this year's record level, and Nigeria will likely have more options for purchases.

Despite lower total wheat imports in 2007/08, imports from the United States only fell slightly and the U.S. maintained its dominant market share in Nigeria at nearly 85 percent. Available data indicates that Nigeria imported U.S. wheat exclusively during the first six months of MY2007/08, before small quantities of new crop Argentine wheat began to be imported. The United States is expected to remain the dominant supplier in 2008/09, although market share could dip on greater competition from other suppliers.

Stocks

Because of the high price of wheat, millers have largely been buying hand to mouth and stock levels in many mills are almost completely depleted. In fact, a number of mills have had to shut down temporarily because they cannot afford to buy wheat and have no remaining stocks.

Policy

Nigeria's wheat import tariff is five percent, and imported wheat is also subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equivalent to one percent of FOB value. A five percent

value added tax is also applicable to wheat flour and millers are also required to fortify flour with vitamin A.

Additionally, the GON made it mandatory for flour mills to include 5 percent cassava into the flour in an effort to support local cassava production. Although millers express their willingness to comply with this directive, they also maintain that the supply of industry grade cassava flour in Nigeria is insufficient to reach the 5 percent requirement. Millers are apprehensive that the GON could arbitrarily close down the mills. On February 4, 2007, the GON closed virtually all of the twenty flourmills in the country, citing non-compliance with the 5 percent requirement. The mills were reopened within 24 hours with a warning to comply fully. See Report NI7003 - <http://www.fas.usda.gov/gainfiles/200702/146280166.doc>

CORN

PSD table: Corn

Nigeria Corn

(1000 HA)(1000 MT)(MT/HA)

	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008
Area Harvested	4700	5200	4700	4000	6500	4000	0	0	4700
Beginning Stocks	146	137	146	246	237	246	96	340	96
Production	7800	7800	7800	6500	9800	6500	0	0	7800
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	7946	7937	7946	6746	10037	6746	96	340	7896
MY Exports	100	100	100	100	100	100	0	0	100
TY Exports	100	100	100	100	100	100	0	0	100
Feed Consumption	850	850	850	750	900	750	0	0	900
FSI Consumption	6750	6750	6750	5800	8697	5800	0	0	6800
Total Consumption	7600	7600	7600	6550	9597	6550	0	0	7700
Ending Stocks	246	237	246	96	340	96	0	0	96
Total Distribution	7946	7937	7946	6746	10037	6746	0	340	7896
Yield	1.660	1.5	1.660	1.625	1.508	1.625	0	0	1.660

Production

Post forecasts Nigeria's corn production in 2008/09 at 7.8 million tons, up from the revised 6.5 million tons in MY2007/08. Private sources indicate that corn area will increase substantially, as the prevailing record high prices encourage farmers to switch area from cotton to corn. The early arrival of rain in the grain belt is also expected to encourage planting of corn. Only a modest increase in yield, however, is expected because of the high cost of fertilizer, which is necessary in order to achieve optimum yield results. The National Fertilizer Company (now privatized) is expected to resume production in 2008, but supplies will not be available early enough to be used during this cropping season. Planting is expected to commence in May 2008.

Corn output in declined in 2007/08 due to poor weather conditions.

See Report NI7028– <http://www.fas.usda.gov/gainfiles/200711/146292893.doc>

Consumption

At present, Nigeria is experiencing severe shortages of corn and prices have hit record levels. Year on year, the price of corn has tripled from 20,000 naira in March 2007 to 60,000 naira in March 2008. Recently, the GON release about 6,500 tons from the National Strategic Grain reserve in an effort to dampen prices. This amount, however, was too small to have any noticeable impact, and prices have continued to climb.

Notwithstanding this domestic tightness, imports of corn remain banned by the GON. This ban and the high prices are hurting the domestic poultry industry. Many poultry producers are unable to source sufficient supplies of corn, even at the high prices, and there is strong resistance from their customers to increases in poultry and egg prices. Some poultry farmers have indicated that they currently have a large amount of unsold eggs as customers refuse to pay higher prices. Pressure is beginning to be put on the Government of Nigeria by poultry producers to allow corn imports. The gap between the price of domestic corn and the projected price of imports is very large, and has widened considerably in recent months (see table below).

February Domestic Corn in Lagos	\$470 per ton
March Domestic Corn in Lagos	\$513 per ton
February U.S. Corn C&F Lagos*	\$325 per ton
March U.S. Corn C&F Lagos*	\$330 per ton
* Estimate	

The bulk of Nigeria's corn crop is used for direct human consumption and corn is a staple of the Nigerian diet. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the steady growth in the poultry sector witnessed in recent years. Although high input prices retarded this growth in 2007/08, with lower expected feed prices in 2008/09 growth in poultry is expected to renew. Approximately 98 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 900,000 tons in 2008/09, up from the revised estimate of 750,000 tons in MY2007/08.

Trade

Despite the scarcity, the GON continues to implement an import ban on corn, ostensibly to support growers. In reality, however, the ban on corn largely serves the interest of middlemen, not farmers. The middlemen buy corn from resource-poor farmers during harvest when prices are low and speculate for high returns during the off-season. Although official trade figures are not available, informal cross-border exports to Niger, Chad and Sudan are forecast at 100,000 tons, same as in 2007/08.

RICE

PSD Table: Rice

Nigeria Rice, Milled

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Area Harvested	2050	2050	2050	2200	2500	2200	0	0	2300	(1000 HA)
Beginning Stocks	547	547	547	597	497	597	597	497	597	(1000 MT)
Milled Production	2900	2800	2900	3000	3000	3000	0	0	3100	(1000 MT)
Rough Production	4833	4667	4833	5000	5000	5000	0	0	5167	(1000 MT)
Milling Rate (.9999)	6000	6000	6000	6000	6000	6000	0	0	6000	(1000 MT)
MY Imports	1600	1600	1600	1700	1700	1700	0	0	1700	(1000 MT)
TY Imports	1700	1700	1700	1600	1700	1600	0	0	1700	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	5047	4947	5047	5297	5197	5297	597	497	5397	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Consumption	4450	4450	4450	4700	4700	4700	0	0	4800	(1000 MT)
Ending Stocks	597	497	597	597	497	597	0	0	597	(1000 MT)
Total Distribution	5047	4947	5047	5297	5197	5297	0	0	5397	(1000 MT)
Yield (Rough)	2.357	2.277	2.358	2.273	2	2.273	0	0	2.247	(MT/HA)

Production

Nigeria's rice production in MY2008/09 is forecast at 3.1 million tons, up from 3.0 million tons in MY2007/08. The GON is aggressively promoting rice cultivation under a Presidential initiative to increase rice production to 6 million tons within three years. The initiative involves the promotion of the New Rice for Africa (NERICA) variety. The variety is resistant to the African Rice Gaul Midge disease and it is higher yielding than currently used varieties. Government sources indicate that 1 billion Naira (\$8.5 million) was released by the GON for the dissemination of these improved varieties and the GON's National Seed Service reportedly distributed about 560 tons of certified rice seeds at 50 percent subsidy. The GON has stressed to rice farmers, processors and marketers the need to produce high quality rice in order to enhance consumer acceptance.

The expansion of domestic rice milling is also supporting these efforts to boost production. A number of the major rice importers in Nigeria have made significant investment in milling capacities, and examples of these private sector initiatives are: Veetee Rice in Ogun State, Olam in Benue, Nasarawa and Kwara States, and Stallion in Lagos. As part of a backward integration program, these companies are at various stages of developing nucleus estates that would use local farmers as out growers to supply rice to the mills. It is anticipated that this will encourage more farmers to expand into rice production. These companies are hoping that the GON will initially grant them concessions to import brown rice at a reduced duty, until that time that they can source sufficient domestic supplies to operate their mills at capacity. The Federal Ministry of Agriculture continues to indicate that Nigeria can be self-

sufficient in rice production, as virtually all-ecological zones in the country are suitable for rice cultivation.

Consumption

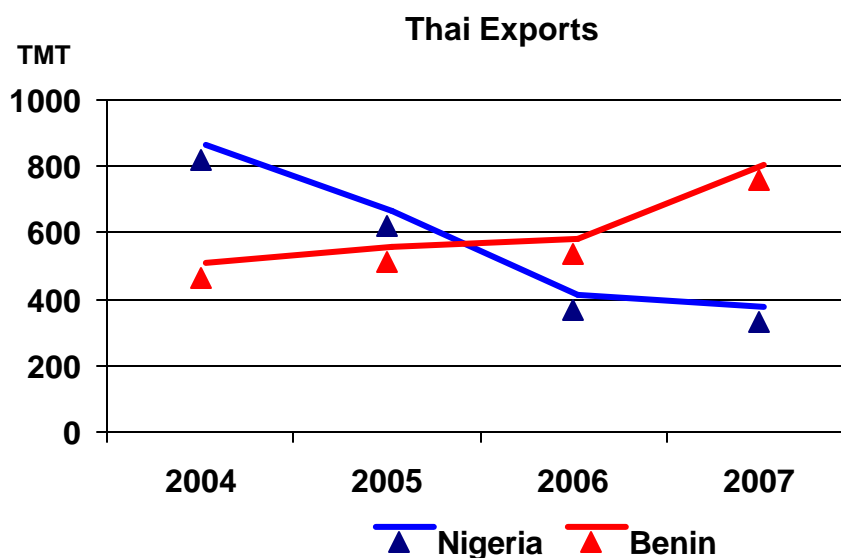
Population growth and rising incomes are expanding rice consumption in Nigeria. Despite the high duty on rice imports, imported parboiled rice still competes effectively against other basic food staples, which explains why import volumes have remained large. Rice is a regular item in the Nigeria diet, largely because of the convenience and the variety of ways it can be prepared. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest, while locally milled rice, which is of lower quality, is consumed mainly in the rural areas.

Local traders report that due to the sharp rise in international export prices, the local price of rice rose by 67 percent in the past year. Year on year, the price of a 50-kilogram bag of rice increased from 6,000 naira (\$50) in April 2007 to 10,000 naira (\$85) in April 2008.

Trade

Post forecasts Nigeria's rice imports in MY2008 to remain steady at 1.7 million tons, the same level as last year. Of the 1.7 million tons imported in 2007, trade sources estimate that more than half entered the country through illegal channels, a trend which seems to be increasing (see chart below). In 2007, export figures show that Thailand, the world's largest exporter, shipped three times as much rice to Benin (population 8 million) as to Nigeria (population 140 million). Smuggling is fueled by Nigeria's high duty of 109 percent on all rice imports. Currently, the price of a 25kg bag of rice in Cotonou, Benin, is only half the price of similar supplies in Lagos, Nigeria. Local importers assert that neighboring countries have even reduced their duties on rice in order to compete for a larger share of this informal import trade.

See Report NI8002 - <http://www.fas.usda.gov/gainfiles/200802/146293587.doc>



Although no U.S. rice has been sold to Nigeria for a number of years, importers are currently looking to the United States for supplies now that rising Thai prices have given price advantage to United States. Local millers have also indicated interest in purchasing U.S. brown rice, if the GON grants the long awaited import duty concession to importers with milling facilities.

Policy

According to importers, the following reference prices are maintained by customs for tariff rate assessment regardless of declared value: \$335, \$365 and \$450 per ton for Indian, Thailand, and American rice, respectively. Rice imports from the U.S. are discouraged by the GON's high duty of 109 percent and the use of these arbitrary reference prices for customs valuation purposes.

SORGHUM

PSD Table: Sorghum

Nigeria Sorghum (1000 HA)(1000 MT)(MT/HA)									
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008
Area Harvested	7400	7400	7400	7400	7400	7400	0	0	7400
Beginning Stocks	200	200	200	200	200	200	200	200	200
Production	10500	10500	10500	10000	11000	10000	0	0	10500
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	10700	10700	10700	10200	11200	10200	200	200	10700
MY Exports	50	50	50	50	50	50	0	0	50
TY Exports	50	50	50	50	50	50	0	0	50
Feed Consumption	150	150	150	100	100	100	0	0	150
FSI Consumption	10300	10300	10300	9850	10850	9850	0	0	10300
Total Consumption	10450	10450	10450	9950	10950	9950	0	0	10450
Ending Stocks	200	200	200	200	200	200	0	200	200
Total Distribution	10700	10700	10700	10200	11200	10200	0	200	10700
Yield	1.419	1.419	1.419	1.351	1.486	1.351	0	0	1.419

Production

Sorghum production in MY2008/09 is forecast at 10.5 million tons, up from the revised estimate of 10.0 million tons in MY2007/08. This projected increase in output is based on a return to more normal yield levels, as the 2007 crop was hit by poor late-season rains. Crop yield is also expected to increase because of the growing acceptance by farmers of improved varieties developed by local research institutes. These include two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics, which are higher yielding

and earlier maturing. The earlier maturing trait is especially attractive to farmers due to the erratic nature of the late-season rains in the main Northern growing areas.

Consumption

Sorghum is the primary food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing, and industrial demand for sorghum by beer manufacturers is rising steadily, in step with rising demand for their products. Beer had been produced exclusively in Nigeria from sorghum and corn following a ban being placed on barley and barley malt importation in the mid-1980s. Although the ban was lifted in 1999, breweries have continued to use sorghum and corn as the key ingredients.

Trade

Nigeria is self-sufficient in sorghum and exports small volumes to neighboring countries. There are no official statistics on exports, but undocumented, cross-border movement in MY2008/09 is forecast at 50,000 tons, the same level as the current year.